Current market factors support mobile wallet adoption

The global mobile wallet market is projected to grow at an annual compounded growth rate of 36.8% over the next four years, according to research by RNR Market Research.

Image: www.freedigitalphotos.net

Additionally, Statista predicts that the global mobile payment transaction volume is expected to reach $721bn in 2017, up from $235bn in 2013.

Paypal, the leading provider of wallet services, now has approximately 162 million active wallets. A further look at mobile money growth from around the world reveals the fruits of unprecedented user engagement and device proliferation.

A 2014 report by Hamburg based yStats.com revealed that in China, where more than 200 million people already use mobile payments, third-party mobile payments grew by 800% last year and are forecasted to more than double this year. Meanwhile, USA mobile payments are growing at three-digit percentage rates.

UK data

Banking apps in the UK were used 10.5 million times a day across the country in March, surpassing the 9.6 million daily log-ins to internet banking services, according to data from the British Bankers' Association.

Impressive numbers, but will South Africans be as keen to replace their physical wallets? South African payments experts believe that current local market factors support mobile wallet adoption.

According to Mustapha Zaouini, PayU's CEO, the mobile phone user adoption curve is at a point where we have a sufficiently large group of consumers in SA who are comfortable with making payments online as well as enough mobile devices to make the mobile wallet service viable. Zaouini cautions, however, that the value proposition must be relevant to both the consumer and merchant, both online and offline.

The high rate of mobile phone users in South Africa - approximately 59 million according to Wikipedia - suggests that user education is not a barrier. This is further supported by a 2015 World Wide Worx survey that found internet browsing via phones to be at 40% in South Africa.
Improving infrastructure

"Payment infrastructure is improving and a sufficient density of wallet pay points has been reached thanks to incumbent Wallet initiatives acting as enablers of point of sale devices," says Zaouini.

Homegrown wallet offerings like Snapscan, Zapper, Flickpay and eWallet are gaining momentum despite the backdrop of modest e-commerce growth.

FNB's mobile wallet is an example of banks looking to ensure that they scale through low cost access channels to serve the under and un-banked customers with higher profitability. A key focus for wallet providers will be on the seven million people in South Africa who earn salaries but do not have their own bank accounts, according to Vodacom's estimates.

Yolande Steyn, CEO of FNB's eWallet says the success of eWallet has shown that there is still massive scope for mobile money remittances as an entry point for mobile money in a country. The challenge lies in creating further financial services adoption off the back of it.

Diversified offering

A 2015 Forrester report suggests that the future of mobile wallets may lie beyond payments. The research points to the fact that in the next five years, mobile wallets will resemble marketing platforms.

Zaouini agrees. "A diversified offering will unlock value in a South African market that is socially savvy and has an appetite for integrated services. It is an inevitable progression for large third-party players like Apple or PayPal to offer a suite of services through their wallets. In China, for example, the Alipay Wallet already lets brands reach consumers via mobile banner ads."

If the mobile wallet, in conjunction with cash and credit cards, can provide the means for all South Africans to access the digital world then the traditional alternative's time may be up. According to Zaouini, it's a question of when the wallet will cross the chasm, rather than if.